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Report Highlights: WHAT'S NEW, EH?***CANADA EASES FMD RESTRICTIONS ON IMPORTS FROM EUROPE ***TRADE MINISTER DISCUSSES LESSONS LEARNED FROM QUEBEC CITY SUMMIT OF THE AMERICAS ***CWB MINISTER URGES FARMERS TO GROW LESS GRAIN ***SPECTRE OF DROUGHT HANGS OVER THE WEST ***BULK WAIVERS ISSUED FOR 1,000 LOADS OF U.S. POTATOES ***HARD TIMES FOR GINSENG GROWERS

Includes PSD changes: No
Includes Trade Matrix: No
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This Week in Canadian Agriculture is a weekly review of Canadian agricultural industry developments of interest to the U.S. agricultural community. The issues summarized in this report cover a wide range of subject matter obtained from Canadian press reports, government press releases, and host country agricultural officials and representatives. Substantive issues and developments are generally also reported in detail in separate reports from this office.

Disclaimer: Any press report summaries in this report are included to bring U.S. readership closer to the pulse of Canadian developments in agriculture. In no way do the views and opinions of these sources reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

CANADA EASES FMD RESTRICTIONS ON IMPORTS FROM EUROPE: On May 18 2001, the Canadian Food Inspection Agency (CFIA) eased the restrictions on imports of animals and animal products from EU countries that have not had any confirmed cases of foot and mouth disease (FMD). Following a scientific risk assessment, Canada's temporary suspension is being lifted for the following EU countries: Austria, Belgium, Denmark, Italy, Finland, Germany, Spain, Sweden, Portugal and Luxembourg. The import suspensions continue to apply to the United Kingdom, Netherlands, Greece, France and Ireland which have had confirmed cases of FMD. According to the CFIA, the status of France and Ireland continues to be evaluated in light of the considerable time that has elapsed since their last reported case of FMD. Canada will continue to carry out enhanced control and risk management measures for international travelers arriving at Canadian international airports which includes disinfectant foot baths and detector dog activity.

TRADE MINISTER DISCUSSES LESSONS LEARNED FROM QUEBEC CITY SUMMIT OF THE AMERICAS:: Canada's Trade Minister, Pierre Pettigrew states that there were some important lessons learned since Seattle, lessons that were put to the test most recently in Buenos Aires and Quebec City. Lesson 1: commitment to transparency; 2: increased openness, inclusion and dialogue; 3: concerns of less developed economies must be addressed; 4: international meetings must be secure and uninterrupted. "For the upcoming meeting in Doha, we must maintain domestic support for freer trade. We must also build international support, and we must do everything we can to prepare for a manageable ministerial." said the minister. For more information see CA1076.

CWB MINISTER URGES FARMERS TO GROW LESS GRAIN: According to a May 22, 2001 *Reuters* article, Ralph Goodale, the cabinet minister who oversees the powerful Canadian Wheat Board is urging farmers to shift from grain to livestock and specialty crops in the face of global agricultural subsidies and historic low grain prices. Goodale told the National Post that Canada can no longer compete with "market distorting subsidies" granted to European and American farmers. Goodale said that even though Canadian grain producers have received C\$32 billion in income support from the federal government since the mid 1980s, farmers are still at a disadvantage because of heavy international export and domestic subsidies that Ottawa cannot match. Goodale urged farmers to diversify into crops such as soybeans and chick peas to meet global demand and to create value-added markets by producing more livestock at home. "It doesn't make a whole lot of sense to produce a lot more of that crop (wheat) when you have a temporary oversupply. You have to produce to consumer trends around the world," Goodale told

the newspaper.

In a related story in response to Goodale's remarks, the May 24 Edmonton Journal noted there is a limit to how much prairie farmers can diversify, due to growing conditions. The article indicated that Canada sends too much wheat outside the country instead of processing it and turning it into more valuable products, which suffer less price volatility. One reason there are relatively few wheat-processing industries in Canada is that the Wheat Board's own rules make it difficult and expensive for farmers to turn their own wheat into bread, flour or noodles. Growers just can't mill their own wheat. They must sell it to the Wheat Board and then buy it back at Wheat Board prices, eliminating the competitive price advantage of turning home-grown raw material into value-added products.

GOODALE COMMENTS CAUSE COMMOTION: According to the May 23 edition of *Good Morning Ontario*, farm groups across the country have responded with anger and indignation, despite the fact that Goodale, minister responsible for the CWB, claims he was misquoted. Goodale says he does favor diversification in the farm economy, but that doesn't mean getting out of grain farming, as the headline on the front-page *National Post* story said. "What I was talking about is broadening, deepening, diversifying, adding value to the rural economy, so that we have more going for us in rural communities than only the limited production of bulk commodities," he said. "This was incremental and not instead of." Reacting to Goodale's comments, Brian Kriz, president of the Grain Growers of Canada (GGC) says, "(the) comments leave the impression that Canada's grains and oilseeds farmers don't adopt diversification strategies, that they just love to grow only wheat. Kriz points out that in 1991, wheat accounted for 56% of harvested area in Canada. In 2001, it was reduced to 40%. "That 60% of Canada's acreage is devoted to other crops clearly illustrates farmers are growing other commodities to try to make money," he stresses. The Canadian Federation of Agriculture released a statement saying "recent comments by the Minister Goodale are an admission of what Canadian farmers have suspected all along: the federal government would rather fold its hand than support Canadian agriculture in the international markets."

ELIMINATION OF CWB WOULD SOLVE PROBLEM, SAYS GROUP: In an additional article from the May 23 edition of *Good Morning Ontario*, the Western Grain Growers Association says that if the Government of Canada wants Western grain farmers to grow something other than wheat on some of their land and seek out new markets in order to survive then it must also strip the Canadian Wheat Board of its price-regulating monopoly, a bureaucratic system that makes Canadian grain farmers uncompetitive. "There are a whole lot of us out there who are not proud that there's been C\$32-billion [of federal income subsidies] dumped into the grain-growing sector," said Ted Menzies, president of the group. "The government should get out of our way and let us run our own businesses. We'd like to be independent and to be able to get the money that we should get for our commodities from the marketplace."

SPECTRE OF DROUGHT HANGS OVER THE WEST: According to a May 21 *Agriweek* article, Farmers almost everywhere in Alberta and the western two-thirds of Saskatchewan are seeding into dust. There were dry springs in 1999, 1996 and 1991, but not like this. Never since reliable weather records started to be kept has rain and snowfall in Alberta been less than this year. And that followed two back-to-back dry seasons in much of southern and east-central

Alberta. Northwestern Saskatchewan is also in its third year of below-average precipitation. The Peace River bloc is the only drought-free part of Alberta. Extreme southern Alberta is dry country at the best of times. Snow pack in the mountains was almost record-low, river flows and reservoir levels are down and irrigators may get as little 45% of their normal allocations of water this summer. Last week winds reached 80 km (50 mph) over a large area of southern and central Alberta and well into Saskatchewan, causing serious soil drifting. Some newly-planted fields lost their seed. There has already been an impact on seeding plans. Canola acreage especially is vulnerable because of high per-acre input costs, the need for shallow seeding and the crop's poor drought tolerance. The parts of Alberta and western Saskatchewan that are in drought stress account for perhaps 65% of western canola area. A 10% drop in seeded acreage in this region could mean half a million acres. Summerfallow area is sure to be higher than reported in last month's pre-seeding survey. Rain at the right time could still get crops off to a decent start. Extended forecasts for the southern prairies have been for above-average rain. In Manitoba, especially the southeastern part and the Red River valley, the trouble is too much water and too much rain. Usually, land around there would already be seeded. This year there is still standing water in fields and it will take at least two weeks of dry weather for seeding to start.

BULK WAIVERS ISSUED FOR 1,000 LOADS OF U.S. POTATOES: In the period January 1 to May 18, 2001 the Canadian Food Inspection Agency (CFIA) issued ministerial exemptions (bulk waivers) for 1,024 loads of fresh potatoes from the United States. According to the CFIA, of the total applications for bulk waivers during that period for U.S. potatoes, no application was denied. The amount equates to roughly 20% of total U.S. potato exports to Canada during the same period. Canada's Fresh Fruit and Vegetable Regulations stipulate that special ministerial exemptions or waivers be issued for imports or interprovincial shipments of produce in bulk containers (i.e., containers larger than the standard containers specified in the regulations). Canadian regulation requires that the processor check first for domestic supply availability before making a formal application for a waiver. Any associated delay is often interpreted as the CFIA denying the bulk importation. Few bulk waiver applications are ever rejected. For more information see CA1077.

CANADA MOVES TO CONTROL SPREAD OF PLUM POX VIRUS: The Canadian Food Inspection Agency (CFIA) has announced that it is prohibiting and restricting the movement of all stonefruit plants susceptible to Plum Pox Virus (PPV), also known as Sharka, from three quarantine zones in Ontario and one in Nova Scotia. CFIA has ordered the removal of infected blocks in all the smaller quarantine zones and intensive surveying will occur in a 100 meter zone around positive blocks in these areas. CFIA will also carry out survey activities in stonefruit production areas of Canada. Compensation under the Plant Protection Act for tree removal and replacement are being proposed. The strain of the virus first found in Canada in 2000 has been identified as Strain D. The same strain was found in Prunus trees in Pennsylvania in October 1999. According to the CFIA, the Pennsylvania find was the first time PPV was found in North America. The finds in Canada are not known to be linked to the Pennsylvania finds (for background see CA9132 and CA0123).

HARD TIMES FOR GINSENG GROWERS: Canada's ginseng producers are experiencing difficult times brought on by oversupply and slumping prices. Canadian Ginseng News reports that current prices for bulk ginseng root at C\$15 (\$10) per pound are less than half of the C\$35-

\$40 (\$23-\$26) price range prevailing five or six years ago. Canadian ginseng is grown in Ontario and British Columbia. Area expanded rapidly throughout the 1980s and 1990s in response to Asian demand, but prices dropped sharply in recent years, exacerbated by the Asian economic downturn. Spokespersons for both Ontario and B.C. industries state that smaller producers are being forced from the business. The value of Canadian ginseng exports declined more than 40% in the period 1996-2000 falling to C\$29 million (\$19 mil.) in 2000. More than 90% was exported to Hong Kong and China. Ontario growers recently approved an annual license fee of C\$50 per acre to help promote ginseng marketing.

ACCOUNTANTS' GROUP SAYS IT'S EASIER TO TRADE OVERSEAS THAN 'NEXT DOOR': The Ottawa Citizen reports a study by the Certified General Accountants Association reveals interprovincial trade barriers appear as intractable as ever. The six-year-old Agreement on Internal Trade (AIT) was created to break down trade barriers between provinces but the report indicates it "has failed to accomplish its primary objective of ensuring free trade within Canada." Interprovincial non-tariff barriers such as licensing boards and quotas continue to distort Canada's economy by limiting competition, promoting inefficiencies and wasting valuable investment capital, Robert Knox, the report's author, said in an interview. He said the AIT needs an enforcement mechanism capable of punishing provinces that do not comply with AIT rulings. That would require more political will than any government appears willing to exert, said Ottawa trade consultant Peter Clark, who noted the rules and systems governing interprovincial trade have fallen far behind those of international trade. Mr. Knox said many of the non-tariff barriers, for example licensing of professionals and liquor boards, have become so institutionalized they are now little more than a form of voluntary taxation in exchange for a guarantee of limited competition within a market. He said some of the worst problems are in the agricultural sector, which is almost universally "addicted" to protectionist measures and subsidies. Neither Mr. Knox nor the report attempts to quantify the damage caused by interprovincial trade barriers, but some estimates say the price tag for decades of protectionism could be in the "tens of billions" of dollars.

CANADA GRAINS COUNCIL ON BIOTECH REGULATIONS: 5/23/2001 According to a *Farms.com* article from May 23, 2001, the Canada Grains Council is hosting a meeting in late June to discuss the impact of international agreements designed to regulate biotech commodities. The meeting will focus on the potential impacts of the Cartagena Biosafety Protocol written in Jan. 2000 as part of the United Nations' Convention on Biological Diversity. The protocol concerns grain markets because it requires shippers of food and feed to provide information on "living modified organisms" that may be present in a shipment. The protocol has been signed by about 96 countries and ratified by two countries. It will go into effect upon ratification by 50 countries, something that is expected by 2002.

NORTHERN COD STOCK FAILS TO RECOVER DESPITE MORATORIUM: Canada's Fisheries Resource Conservation Council (FRCC), a joint scientific and academic think tank for the Atlantic fishery, has advised the Minister of Fisheries and Oceans to increase cautiously total removals for Georges Bank cod and haddock, to maintain yellowtail flounder catches at the same level as last year, and to decrease the catch of northern cod. "The northern cod stock has shown no significant signs of recovery since the moratorium on fishing was declared in 1992," said Mr. Fred Woodman, Chairman of the FRCC. In a recent Stock Status Report, the Council

acknowledges the possibility that predation by seals is preventing the recovery of the cod stock off Newfoundland. The report also underscores the need to maintain an index fishery only (catching solely for scientific purposes).

Did You Know...

That North American ginseng has been exported from Canada to the Orient since the 18th century, when Jesuits discovered the plant growing wild in Canadian forests.

Recent Reports from FAS/Ottawa:

Report Number	Title of Report	Date
CA1072	Canada Lists Positive Results of Free Trade Agreement with Chile	5/11/2001
CA1073	GM Canola More Profitable than Conventional Canola	5/16/2001
CA1074	This Week in Canadian Agriculture, Issue 19	5/17/2001
CA1075	Significant Reduction in Canadian Canola Acreage	5/18/2001
CA1076	Trade Minister Discusses Lessons Learned from Quebec City Summit	5/24/2001
CA1077	Bulk Waivers Issued for More Than 1,000 Loads of U.S. Potatoes	5/23/2001

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